

Voluntary Report - public distribution

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## EU-25

### Agricultural Situation

## OECD Report on effects of the 2003 EU CAP Reform 2004

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**Report Highlights:**

On June 10, 2004 the OECD published Analysis of the 2003 CAP Reform. The report quantifies possible price, production, and trade effects of the Common Agricultural Policy (CAP) reform for the EU-15. Based on their analysis, the authors conclude that the CAP reform will decrease Price Support as well as trade and market distortions. According to the report, the expected impacts of the reform include a shift from crop to pasture land, significant extensification, and an initial decrease in producer prices for cereal followed by a recovery for wheat and an increase for coarse grains. The report also predicts a decrease in beef inventory. Dairy markets will experience minimal impact from the 2003 CAP reform because Agenda 2000 has already introduced many policy changes, such as intervention price cuts. Also, there will be small increases in world crop prices, except for rice.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E3]

On June 10, 2004 the OECD published [Analysis of the 2003 CAP Reform](#). The report quantifies possible price, production, and trade effects of the Common Agricultural Policy (CAP) reform for the EU-15. Based on their analysis, the authors conclude that the CAP reform will decrease Price Support as well as trade and market distortions. However, the authors note that to get the most benefit out of the reform, Member States ought to maximize the decoupling aspect of their policies.

According to the report, the expected impacts of the reform include a shift from crop to pasture land, significant extensification, and an initial decrease in producer prices for cereal followed by a recovery for wheat and an increase for coarse grains. The report also predicts a decrease in beef inventory. Dairy markets will experience minimal impact from the 2003 CAP reform because Agenda 2000 has already introduced many policy changes, such as intervention price cuts. Also, there will be small increases in world crop prices, except for rice.

The report serves as a useful barometer for the possible effects of the reform by providing a high and low estimate (based on a maximum and minimum amount of decoupling) for the percent change of prices, production, and trade for affected commodities. The report highlights that the results are "preliminary," noting that the two models in the report provide different percent change magnitudes, though they are the same sign. In addition, the models used treat the EU as an aggregate, which may hide any disparate affects across countries. Varying country effects may be exacerbated by the fact that Member States have flexibility within the reform framework with regard to decoupling and payment methods (Single Farm Payment or Regional). Currently, many Member States have not decided exactly which policies they will select. Moreover, additional analysis will be necessary to incorporate the affects of the accession countries, which the OECD report excludes.

However, the report is very useful for clarifying the 2003 CAP reforms by providing a clear interpretation of the EU legislation. After outlining their methods of analysis, the subsequent chapters explore the results of their models that present predictions on the changes in production, prices, and trade for wheat, grains, beef, and dairy. Many changes are forecast to be minor. For example, in the maximum decoupling scenario, EU-15 wheat production is estimated to decline by 0.5 percent from 2002 to 2008. In the same scenario oilseeds and beef are predicted to decrease production by 0.4 and 0.6 percent respectively. Rice, however, is estimated to decrease production by 11.8 percent. The report also provides an analysis of the distribution of welfare gains and loses. The [full report](#) can be found at

<http://www.oecd.org/dataoecd/62/42/32039793.pdf>

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